

**ANDERSON EXHIBIT 10F**

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|                                 |                             |                  |         |
|---------------------------------|-----------------------------|------------------|---------|
| Attention:                      | Mrs Debbie Laird RPh        | Date:            | 5/28/98 |
| Company:                        | SmithKline Beecham Oncolog  | Number of Pages: | 1       |
| Fax Number:                     | 15137338061                 |                  |         |
| Voice Number:                   | River Valley Reg Office     |                  |         |
| From: Anthony W. Godar R.Ph.    |                             |                  |         |
| Company:                        | SmithKline Beecham Oncology |                  |         |
| Fax Number:                     | 618-376-2709                |                  |         |
| Voice Number:                   | 618-376-2709                |                  |         |
| Subject: Anzmet Cost Comparison |                             |                  |         |
| Comments                        |                             |                  |         |

H: Debbie.

Here is a cost comparsion high-lighting the medicare spread differences between Zofran, Anzimet, and Kytril being distributed by Steve Jeworski of HMR in Barnes Hospital / Washington Univ. Medical Ctr. This sheet was supplied to me by the reimbursement person for Barnard Cancer Ctr. yesterday; she had received it aprox. 10 days ago.

Tony Godar

SBCC 0645

**Anzemet Injectable***The first true once daily IV and oral SHT3*

| Item                   | Price   | AWP    | Spread  |
|------------------------|---------|--------|---------|
| 100 mg IV in 5 ml vial | \$70.00 | 149.88 | \$79.88 |

**Zofran Injectable**

| Item              | Price    | AWP       | Spread  | Diff    |
|-------------------|----------|-----------|---------|---------|
| Zofran 40 mg vial | \$165.00 | \$244.43* | N/A     |         |
| @ 32 mg use       | \$132.00 | \$195.54  | \$63.54 | \$16.34 |
| @ 24 mg use       | \$99.00  | \$146.66  | \$47.66 | \$32.21 |
| @ 23.60 mg use    | \$97.35  | \$144.21  | \$46.86 | \$33.01 |
| @ 20 mg use       | \$82.50  | \$122.23  | \$39.73 | \$40.15 |
| @ 16 mg use       | \$66.00  | \$97.77   | \$31.77 | \$48.11 |

**Kytril Injectable**

| Item             | Price    | AWP      | Spread  | Diff    |
|------------------|----------|----------|---------|---------|
| Kytril 1 mg vial | \$125.90 | \$177.40 | \$51.50 | \$28.38 |
| @ 94577 use      | \$119.07 | \$167.78 | \$48.71 | \$31.17 |
| @ .7 mg use      | \$87.50  | \$124.18 | \$36.68 | \$43.30 |

- Anzemet has a \$16.34 spread difference versus 32 mg Zofran; and a \$40.15 spread difference versus 20 mg Zofran. A practice doing 20 treatments per day, 100 treatments per week would receive between \$84,968.00 (all use at 32 mg) and \$208,780.00 (all use at 16 mg) additional income per year by switching to Anzemet. 1997 IMS data shows TOTAL average office use per IV treatment is 23.6 mg. At this AVERAGE use, Anzemet will increase reimbursement to the practice by \$171,704.00.
- All this while saving the patient almost 47% versus 32 mg Zofran.
- Anzemet has a \$28.38 spread difference versus 1 mg Kytril and a \$43.20 spread difference versus .7 mg Kytril. A practice seeing 100 patients per week would receive between \$147,576.00 (all use at 1 mg) and \$224,640.00 (all use at 0.7 mg) additional income per year while saving the patient almost 45% versus 1 mg Kytril. 1997 IMS data shows TOTAL average office use per IV treatment is .94577 mg. At this AVERAGE use, Anzemet will increase reimbursement to the practice by \$162,084.00.
- A practice will tie up between 45-47% less money in SHT3 inventory during any given month simply by switching to Anzemet.

NOTE: All Prices quoted are current as of May 3, 1998.

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0-5

March 2, 1994



Dear Contracts Administrator:



707 Shelbyville Road  
Shelbyville, Kentucky 40223  
02-423-0351  
02-339-1417 FAX

Please accept the following bid package as a formal request for quotation to GeriMed. GeriMed is a group purchasing organization designed for "closed door" pharmacies servicing the long term care institutionalized patient. I request that you read all materials enclosed carefully before pricing your products for GeriMed especially the GeriMed history and corporate goals.

Please find enclosed the following information: 1) history and corporate goals 2) incentive or performance contract criteria 3) GeriMed membership criteria 4) instructions for submission of quotes 5) a 3.5 inch disk with instructions 6) "Request for Quotation" document 7) a new agreement that must be executed with the bid and 8) a participating wholesaler list as of March 1, 1994.

Information regarding this bid proposal is also being sent to your national accounts or sales personnel for their information. Bids are due at close of business on March 28, 1994. If this date does not give you enough time to complete the bid document please call our office immediately. We anticipate awards being made near the end of May. Preference will be given to two year agreements.

Thank you for your time and expertise on this bid. GeriMed looks forward to continuing or beginning our relationship during the next year.

Sincerely,

Susan M. Rhodes, R.Ph.  
Vice-President of Operations

Enclosures

**GeriMed Request for Quote Instructions**

**BASIC INFORMATION**

Name of Group: GeriMed, Inc.  
Address: 9707 Shelbyville Road  
City, State, Zip: Louisville, KY 40223  
Phone: (502) 423-0351  
Fax Number: (502) 339-1417

Type of Group: Group purchasing organization for "dosed door" long term care pharmacies (no retail activity) See membership criteria attached.

Membership: 489,000 beds serviced by 380 pharmacies in 41 states  
(as of March 1, 1994)

Contract contacts: Susan M. Rhodus, R.Ph., Vice President of Operations  
Angela Meiners, Contracts Administrator  
Kim Wissing, R.Ph., Contracts Analyst

Membership contact: Robert Benim, Director of Membership Services

Rebates/Data Collection: Patrick Curran, Usage Analyst

**REQUIREMENTS FOR SUBMISSION OF REQUEST FOR QUOTES**

1. Bids must arrive at our offices no later than close of business March 28, 1994. They should be returned to:  
to: Susan M. Rhodus, R.Ph.  
Vice President of Operations  
GeriMed  
9707 Shelbyville Road  
Louisville, KY 40223
2. Bids must include the following minimum information to be placed under consideration for review. Bids without the enclosed information will result in the return of the bid package for completion.  
A. First two pages of the "Request for Quote" document completed along with any addendum attached.  
The first two pages must be completed to have the bid accepted by GeriMed. Manufacturers and suppliers with previous contracts through GeriMed will find the first page printed out with our most up to date information. Please review this material for accuracy to ensure efficient administration of the contract. The second sheet must be signed by an authorized representative of the company. This signature represents a legal offer being made to GeriMed with terms and conditions and prices to be held firm for the term of the offer. Please attach any additional comments, requirements, and restrictions to the second page.

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1994 GeriMed Request for Quotations

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B. Both copies of the supplier agreement signed with any exceptions or addendum attached. GeriMed will execute both agreements when awards are made and return one copy to your offices along with a complete, current membership list. Please initial any changes made in the agreement and attach any additional pages to each contract.

C. Completed 'Request for Quote' product pages OR completed diskette with all proposed pricing, AWP, FDA ratings, and manufacturer source filled in for each item bid.  
We encourage you to printout the information on the diskette after completed. Send one copy in generic name order with the diskette and keep one for your files. This will ensure that if the diskette is damaged during mailing we will still have bid prices. You do not have to complete the product pages enclosed if you submit a diskette.

D. If you are a new manufacturer/supplier with GeriMed, please enclose information about your company, proof of liability insurance, and any other information pertinent to GeriMed assessing the quality of your company. A new vendor questionnaire, if enclosed, should be completed and returned with your bid.

E. Any special forms or requirements needed in order to add or make a GeriMed member eligible for contract pricing.

F. Your current return goods policy and if you provide for guarantee supply, a procedure for receiving reimbursement by the member.

G. Any other information you feel may assist GeriMed and the GeriMed Advisory Council in making informed decisions regarding your products.

QUOTATION SPECIFICATIONS

1. Acceptance- GeriMed welcomes your participation in the bid process for the 1994 -1996 pharmaceutical contract program. Proposals and bids will be accepted until the close of business on March 28, 1994. If this does not allow you enough time to complete the process, please telephone our offices as soon as possible (502) 423-0351 to request an extension.

2. Negotiated Contracts- Pharmaceutical manufacturers wishing to submit a proposal beyond the straight bid process are urged to contact Susan Rhodus, Vice President of Operations, as soon as possible to discuss the particulars of the proposal. We encourage companies to submit proposals based on volume and/or market share agreements. GeriMed is committed to compliance and increasing market share with contracts that meet our requirements. Requirements and particulars describing the types of contracts needed are discussed in the attached "Request for Incentive Based Proposals".

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3. Request for Quote forms and diskettes- Because GeriMed limits the acceptance of members to long term care "closed door" pharmacies only (no retail activity-see enclosed membership criteria for specifics), we ask that you submit the most competitive pricing on the enclosed "Request for Quotation Forms" or via the enclosed bid diskette. This diskette allows your staff and our staff to be more efficient in the bid process. Instructions regarding the diskette are enclosed for your review. A 3.5 inch diskette is enclosed, if you need another size diskette or if you have any questions or problems, please call our offices.

Products are listed on the disk and "Request for Quote" in generic name order. These names are derived from the Generic Product Index in MediSpan files. Prices should be listed for the package size indicated in the package field. If you wish to add other products or package sizes to the bid please follow the directions for the diskette or use the pre-printed forms at the end of the request for quote forms. If a product was bid last year the previous bid price is listed. Items not previously bid will have "0.00" in this column. Please complete all blank spaces on the diskette or printout to ensure we have accurate information on our computer system.

If you find incorrect descriptions, package sizes, etc., please indicate these on the diskette printout or on the request for quote forms so we may update our system. Items that have been discontinued by your company should also be identified on the printout. We will then delete these from our system.

4. Contract length- If awarded, the bid contract prices would begin August 1, 1994. Your quotation must be for a minimum of twelve months with a preference for a two year contract. Longer contracts with a review process to protect GeriMed, GeriMed members, and contracted manufacturers will be considered. Price protection on bid items should be for at least one year with a preference for two year price protection. Price reviews on generic items will be considered if specific guidelines are written by the manufacturers or suppliers for the process of review. For example, "after six months of firm price protection, the manufacturer/supplier may present proposals for price increases based on the cost of raw materials increasing. GeriMed will be given 60 days notice before price increases take effect. An effort to offer price decreases on other contracted products will be made to GeriMed at the same time price increases are proposed. GeriMed has the right to reject the price increase, at which time the product will be removed from the contract."

5. Product Distribution- The method and range of distribution for the manufacturer/supplier is important. GeriMed prefers to have access to contract pricing direct from the manufacturer/supplier and through participating wholesalers. GeriMed members purchase approximately 85% of purchases from wholesalers. Direct purchases, where financially advantageous, are still utilized by many GeriMed members. A list of current GeriMed participating wholesalers is enclosed for your review. Product availability through these wholesalers is important for compliance with the contracts. Wholesalers participating in the GeriMed program are required to sign an agreement stating they will stock items for the GeriMed customer upon request if utilization numbers are provided by the pharmacy.

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6. Membership procedures- It is understood that all participating pharmacies are "closed coor" servicing only institutional patients. An "own use" statement has been signed by an authorized representative of each member pharmacy. These are on file in our offices for all current members and are available upon request. As new members are added to the contract, GeriMed sends copies of the "own use" statement for each new pharmacy added to the membership list. Each pharmacy must execute an agreement to abide by any restrictions that a manufacturer has regarding eligibility for contract pricing.

GeriMed updates the membership information on a monthly basis. Information with the update includes new members, deleted members, changes in information (new address, DEA, contact person, telephone number, wholesaler, etc.). Contracted manufacturers/suppliers receive notice of new members thirty days before the start of membership. Manufacturers/suppliers with current GeriMed contracts will receive a complete membership list with the April, 1994 membership update.

To ensure updates are received by the correct personnel, please complete the membership personnel section on the first page of the "Request for Quote" sheets. GeriMed expects that a one month advance notice will allow ample time to approve eligibility for new members. Any chargeback refusals or incorrect invoices after the new members effective date must be corrected by credit memo or reimbursement to the member pharmacy. If you have special requirements beyond the ones on the attached membership criteria, please state the requirements in your bid document. Note: Companies with stricter requirements than those stated in the GeriMed Membership Criteria may not be eligible for single source or preferred product status. Please include copies of special forms or applications required to access new members to your contract.

7. Usage Information - Estimates of usage for specific products, based on actual member dispensing reports, are available upon request. Please call our offices no later than Friday, March 11th to request these figures.

8. GeriMed Advisory Council - The GeriMed Advisory Council will meet on Thursday, April 21, 1994 to make decisions on contract awards. Fifteen GeriMed members are chosen from the GeriMed membership to serve a two year term on a rotating basis. These members represent many states from east to west and north to south with a variety of distribution systems and number of beds serviced. The Council meets three times a year (usually winter, spring, and fall) to discuss pertinent issues regarding contracting and business opportunities. The April meeting will focus on the new contracts with the Council making decisions on manufacturers/suppliers to contract with, a full line generic company, and any incentive or performance based agreements. Manufacturers/suppliers interested in making a presentation to the Council during our meeting should contact Susan Rhodus immediately.

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9. Awards - The following features of each manufacturer/supplier will be reviewed closely before decisions are made:

- A. Quality of products -clinical aspects of the drug, manufacturing practices, product consistency, FDA AB ratings, etc.
- B. Distribution methods -wholesale and/or direct
- C. Availability of product -across the country in wholesalers and/or direct
- D. Service-customer service, sales representatives, return good policy, information availability, etc.
- E. Guarantee supply -If the manufacturer/supplier cannot supply the product will you reimburse the member if they must purchase a higher priced product? This guarantee does not cover the wholesaler not stocking the item or running out of an item. The shortage must be at the contracted manufacturer/supplier level in order to qualify for the guarantee supply program.
- F. Medicaid Rebate Agreement- must be in place for a company to participate in our incentive or performance programs.
- G. Contract Administration Fee- We request a 2% fee on all purchases by the members for contracted items. In return for this fee we provide the following services - onsite visits to all new members to ascertain "closed door" status; a suggested formulary and invoice review service to reinforce contract compliance; quality assurance; drug usage analysis from wholesaler and dispensing records; administration of performance and incentive based programs.
- H. It is understood that participation in this program by the manufacturer/supplier will not affect the pricing to the GeriMed members. Payments of this fee are due 30 to 45 days after the end of each quarter or month as you designate. Two reports on sales to GeriMed members are requested: 1) line item by member per month or quarter 2) line item consolidated for the entire group by product by month or quarter. Both reports should show dollar volume as well as number of units sold. If this information is available on diskette or modem in an ASCII format please contact our office as soon as possible to set up a format and transmission.
- I. Low price and best spreads - Contract pricing will be evaluated on lowest price and/or best spread between AWP and the contract price for multisource products. Manufacturers/suppliers interested in obtaining a single source award should consider sending in a performance or incentive package for one or more products. Most multisource products (without a special program) will receive a dual award since we will be contracting with one full line generic company in addition to other manufacturers and/or suppliers.

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11. Bid Analysis - All bids and proposals received by GeriMed will be held confidential. The submitted quotations will be analyzed by computer using our database program showing all quotations submitted for each generic name and package size. The GeriMed Advisory Council will review all submitted quotations and have an opportunity to select the manufacturers/suppliers to be on contract as well as choosing preferred products and incentive programs. Quotations will be analyzed on line-by-line basis. Please note that GeriMed may accept or reject any portion or all of the quotation. Companies demonstrating the best quality, policies, programs and price will be favored (see above evaluated characteristics).

12. Submission of quotations constitutes a legal offer - and therefore, if any of your quotations are accepted, and in exchange for being designated as participant in the GeriMed program, your company agrees to be legally bound to provide each GeriMed member pharmacy- present and approved in the future - on an as-needed basis, any items encompassed on your accepted quotations pursuant to the terms of the respective quotation as designated in the awards document to be sent by GeriMed. Bids will be kept open until July 31, 1994. Awards will be made near the end of May, 1994.

Please feel free to contact our offices if you have questions or need further information (502) 423-0351.

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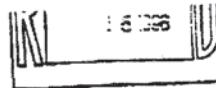
**DL1327**

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March 8, 1996

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Dear Contracts Administrator:

Please accept the following bid package as a formal request for quotation to GeriMed. GeriMed is a group purchasing organization designed for pharmacies servicing the long term care patients with pharmaceuticals in a "closed door" setting. Many of these pharmacies also service nursing homes with IV therapy.



9707 Shelbyville Road  
Louisville Kentucky 40223  
502-423-0351  
502-335-1417 FAX

I request that you read all the materials carefully before pricing your products for GeriMed. GeriMed currently contracts with 130 pharmaceutical manufacturers (brand and generic companies) and suppliers for the 1994 - 1996 contracts. GeriMed, as of April 1, 1996, has more than 470 pharmacy members in 41 states servicing more than 720,000 beds. We continue to add between 5 and 10 new members monthly.

Please find enclosed the following information: 1) an introduction to GeriMed with service programs described 2) GeriMed membership criteria 3) instructions for submission of quotes 4) a 3.5 in diskette for the bids with instructions 5) "Request for Quotation" document 6) two copies of our supplier agreement 7) participating wholesalers.

Bids are due at close of business on March 29, 1996. Performance agreements are due at close of business April 15, 1996. Please let us know if these due dates present any problems. Contracts awarded will begin on August 1, 1996 and end July 31, 1998.

Thank you for your time and expertise on this bid. GeriMed looks forward to continuing or beginning a great relationship with you during the next year.

Sincerely,

Susan M. Rhodus, R.Ph.  
Vice President of Operations

Enclosures

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Geriatric Healthcare  
Containment

## **GeriMed Request for Proposal**

*Prepared for  
Bidding Pharmaceutical Manufacturers and Suppliers*

*by  
Susan M. Rhodus, R.Ph., Vice President of Operations*

*March 8, 1996*

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# 1

## ***Introduction***

This document contains all the information you need to submit a proposal for bid to GeriMed.

### **Dates to Remember**

- March 29, 1996 - Bid documents due at GeriMed offices
- April 15, 1996 - Special incentive programs due at GeriMed offices
- April 25 - 27, 1996 - GeriMed Advisory Council Meeting
- June 5, 1996 - Awards faxed to manufacturers (tentative)
- June 12, 1996 - Final proof of awards due at GeriMed offices (tentative)
- August 1, 1996 - Contract start date for new GeriMed awards

### ***Contents of This Proposal***

- History and Corporate Goals of GeriMed
- GeriMed Membership Criteria
- List of Manufacturers currently under contract
- GeriMed Journal, EmphaSys, and GeriMax Marketing Pieces
- Instructions and Specifics for Bid Submission
- Incentive or Performance Contract Criteria
- Computer diskette 3.5" for bid entry with instructions
- Request for Quote document listing your company's products with request for special information (i.e. contacts, distribution, special terms, etc.)
- Two copies of the GeriMed agreement for execution with the bid submission
- Wholesaler list as of April 1, 1996

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### ***GeriMed History and Corporate Goals***

#### ***Introduction***

GeriMed is a group purchasing organization designed specifically for long term care "closed door" pharmacy providers. GeriMed was established in 1983 as a joint venture between MedEcon (a hospital buying group) and H. Joseph Schutte, R.Ph. Joe Schutte, President and owner of GeriMed has been in the long term care pharmacy business for more than thirty years. As the innovator in long term care pharmacy group purchasing, GeriMed has developed services and contracts to meet the needs of customers throughout the years.

As you know, healthcare is changing on a minute by minute basis. GeriMed's goal is to meet the challenge of ensuring its customers the best services, best contract pricing, while netting more profit for the member and contracted pharmaceutical manufacturers. In order to meet the customers needs in the future, GeriMed must go beyond simple contracting for pharmaceutical products for long term care pharmacies. The conversion of GeriMed from a group purchasing organization (GPO) to a group service organization (GSO) is the first step in adapting GeriMed for the future.

#### ***Corporate Philosophy***

#### ***Mission Statement***

This mission statement gives GeriMed a basis to establish new and innovative services to benefit both its membership and pharmaceutical manufacturer partners.

*"Through long-term partnerships in the health care industry, GeriMed provides access to cost effective solutions which support our clients' efforts to improve their strategic position, financial performance, and quality of care"*

GeriMed Request for Proposal

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### ***Governing Values and Goals***

GeriMed has set values and goals in order to achieve this innovative approach to contracting. Our goals for the company are attained by following three solid values.

- **Professionalism and Integrity** - To maintain professionalism and integrity in the marketplace by:
  - \* Focusing and committing to support the health care industry and professional associations by standing by membership criteria, communicating information and participating in professional associations
  - \* Demonstrating a continued commitment to the most cost effective treatments allowing positive patient care
- **Customer Driven Company** - To develop a partnership with each member in achieving financial success by:
  - \* Continuing to have a knowledgeable and motivated customer support team through training, advanced technology, and teaching programs for members
  - \* Developing positive relationships between customers and industry partners through meetings and environments conducive to negotiations and education
- **Financial Success** - To run an efficient, service-oriented, customer-driven company by:
  - \* Continuing to develop the best contracts and cost containment solutions through innovative contracts, customer specific programs, and routine profit maximization analysis
  - \* Fostering and supporting entrepreneurial innovation in our partners' businesses through innovative strategies for revenue enhancement and providing access to experts in these strategies

### ***GeriMed Advisory Council***

One avenue to ensure our services meet the needs of our members is through our Long Term Care Advisory Council, which meets three times a year. Members of this council are in constant contact with GeriMed regarding legislative changes, regulation updates, and suggestions in contracting. The Council makes decisions on contracts and special programs developed for the membership. GeriMed participates in legislative issues, meets with advocates of the long term care pharmacy concerns in Washington, D.C., and keeps current with updates in healthcare reform.

### ***General Information***

#### ***Membership***

GeriMed currently has more than 470 member pharmacies representing more than 300 corporations or pharmacies systems in 41 states. These pharmacies currently service

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more than 720,000 long term care beds. Our members consistently outperform other group purchasing organizations in compliance (calculated on dollars per bed). This compliance rate demonstrates the loyalty of GeriMed members.

GenMed prides itself in accepting only closed door pharmacies servicing patients in a long term care setting. We are the only group purchasing organization that visits each pharmacy location before membership begins to ensure closed door status. GenMed also monitors purchases to ensure appropriate use by the members. GenMed works with manufacturers and investigates inconsistencies in purchases and dispensing. Protecting and monitoring the integrity of the group is important to guarantee that the manufacturers continue their partnerships with our group and its members.

#### ***Types of Customers Services by GeriMed Members***

Because the focus of long term care pharmacy practice has expanded beyond geriatric patients in nursing homes, GeriMed has expanded its services, too. Contracts to address the needs of jails and prisons, home care, mentally retarded, hospice, and sub-acute patients have been added throughout the years. Expansion of GeriMed's services and contracts to meet the expanding needs of its membership is a continuing goal of the company. The contracts include a full line of parenteral and enteral products, pump rentals, plastics for parenteral and enteral, packaging alternatives, forms, medical supplies, urologicals, and other miscellaneous products. GeriMed membership entitles the member access to all contracts-both pharmaceutical and non-pharmaceutical.

#### ***GeriMed Services***

GenMed believes we deliver the best contracts in the country for long term care providers. Our extra services continue to expand to meet the needs of our members. Many of our services are described below:

##### ***EmphaSys***

For more than three years GeriMed has had a stand alone electronic catalog program. This software is run with an IBM DOS operating system and allows the member to view the entire catalog via a computer. While this system offers a mechanism to view contract items, it can be tedious in this DOS format.

GeriMed recently announced the release of a new software product - EmphaSys. This program is written under the Windows operating system. It is much easier to use and allows the member to utilize the system to choose appropriate products for their purchasing. This tool can enhance revenue and decrease costs. Members can view item codes for their wholesaler, view products with the best spread and lowest cost, or open multiple windows to compare data.

Products can be sorted in four fashions - by trade name, by generic name, by manufacturer or supplier and by therapeutic class. A single drug can be found by typing

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in part or all of the drug name. Updates to pricing, AWPs, NDC#s, etc. are provided monthly. Diskettes are sent according to the state requested, giving the member information on the state MACs. Members can print selected products, make a formulary, input usage, and input exact reimbursement compared to the MACs listed by MediSpan. With more than 9,000 line items, this system offers an efficient and accurate mechanism to utilize the contracts.

#### ***Invoice Analysis***

GeriMed offers a quarterly review of invoices for all pharmaceutical purchases by member pharmacies. This review is a compliance tool to ensure the pharmacies are purchasing the most cost effective products available on contract. Several items are identified during the review including price errors by the wholesaler, lower priced generic products, better package size or type, therapeutic substitution opportunities, etc. These suggestions are made to save money through lower contract pricing or increase revenue through better spread between AWP and contract price. This review is done from a monetary perspective only; special state regulations, clinical concerns, and other input must be included when reviewing changes.

#### ***Incentive Programs***

GeriMed continues to update, refine, and develop new and exciting ways of contracting. Incentive programs are allowing GeriMed members to take advantage of a broader spectrum of pharmaceuticals. We have added more than 40 manufacturers and suppliers to our incentive contracts in less than four years. The incentive programs will be reviewed and revised to meet the changing needs of our membership. (See chapter 5 for more details on these exciting programs).

#### ***GeriMax***

A new program, announced to members in January, 1995, is GeriMax. GeriMax is a special program combining special market share contracts with additional services and data analysis. This program is open to all members of GeriMed. Members wanting to access the special GeriMax Agreements and special services must commit to the GeriMed contract for forty-two of fifty chosen contracts. GeriMed is looking for compliance from the membership in order to justify special services to the membership. Manufacturers want to work with compliant customers. The commitment is only to use the GeriMed contracts - market share and volume commitments are made at the individual contract level.

Once a member commits to GeriMax, they have access to the following special services:

**GeriMax Agreements** - These contracts reward maximum performance with maximum discounts. GeriMax members receive contracts with a choice of three tiers of commitment - GeriMax, Committed, and Uncommitted. After reviewing the clinical and financial aspects of the agreements, a reasonable commitment can be made to one of the three tiers. Manufacturers are also dedicated to these agreements by providing

information, education, and marketing expertise, forming a true partnership. Manufacturers interested in pursuing a GeriMax agreement should contact GeriMed as soon as possible. These agreements are in addition to our regular incentive programs and will be negotiated on a one to one basis with manufacturers looking to partner with GeriMed.

**Formulary Setup and Operational Analysis** - GeriMax provides consulting services to implement compliance programs. Specific programs can be developed by both parties to ensure the needs of the member are met. These strategies can include discussions of incentive programs, suggestions on maximizing profitability with a buying group, or special programs designed specifically to meet the unique needs of the client.

**Reimbursement assistance** - The GeriMed binder and EmphaSys system provide item by item detail printouts and screens with the state MACs and calculations per state. The GeriMed program identifies the lowest cost product and the best spread for the particular state. Our network of pharmacy members across the country and contacts with manufacturers allows us to keep up with new regulations throughout the country. Members asking about reimbursement in a particular state can obtain the information by calling the GeriMax staff. GeriMax can assist a member by completing a special formulary designed especially for their situation. A special list of questions assist the GeriMax staff in determining the best product for purchase.

**Clinical research** - Because of our partnership relationships with many members, GeriMax can assist manufacturers in gaining access to members interested in participating in educational and research programs for geriatric and other types of research. Many pharmaceutical companies are interested in geriatric research but are unsure of who to contact in long term care pharmacy practice.

**Data Management** - The most difficult aspect of contracting especially performance based contracting, is proving market share movement. In addition, members want to know how they are progressing on market share agreements. Our new data system collects information from each wholesaler. Data can be provided to manufacturers and members at the NDC number level. Sorting the data by generic name or therapeutic class can be accomplished. Providing days of therapy and units per bed can be added for manufacturers looking for extra detail. GeriMax members committing at the GeriMax level will receive regular reports of how they are progressing with market share.

Implementing innovative programs and improving methods of communication to our membership is a constant challenge. Recently we began using fax broadcast to alert members of immediate and important contract information. We are testing a computer program that allows members to access contract pricing via modem. Methods of supplying unique and superior clinical and research information are also being examined.

GeriMed membership enables long term care "closed door" pharmacies to benefit from years of integrity, outstanding service, and low contract pricing. Being a member of GeriMed allows a member to assign staff to other more important duties than reviewing invoices, imputing contracts in computers, checking eligibility on contracts, and making

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sure the member is getting the best deal in pharmaceutical purchasing. GeriMed becomes an extension of the members' staff and develops a partnership relationship that can benefit both companies.

### ***Contracting Process***

GeriMed requests contracts from pharmaceutical manufacturers and suppliers biannually through a bid process. Manufacturers submitting bids must offer a minimum of one year contract or a maximum of two years. GeriMed has developed many partnership relationships with manufacturers over the years. These partnerships many times allow us to be the first group purchasing organization with unique powerful contracts. We encourage interested manufacturers to develop negotiated contracts that consider volume and market share contracting. Many manufacturers have responded with incentive or performance based contracts. While straight line by line contracting is preferred by members and GeriMed, we see this type of contracting decreasing. Manufacturers are looking for increases in volume and market share to justify contracting with any type of provider (including managed care and hospitals). Demonstrations of changes in volume and market share are accomplished by collection of purchasing data from participating wholesalers. GeriMed then becomes the administrative center to analyze and forward the data to the appropriate manufacturers with performance contracts. Payment to each member is made based on performance for each contract. Systems have been developed to collect this data on an efficient basis from the wholesalers.

Development of contracts by choosing a drug in a specific therapeutic class as a preferred product can help GeriMed gain better contracts and discounts. GeriMed's philosophy, supported by the Advisory Council, mandates three parts in the decision making process to choose a specific drug as preferred.

1. **Clinical efficacy** - This is by far the most important requirement of the drug product. The product must demonstrate, through reliable, credible sources to be as efficacious as other products in its class. Preference is shown to products with data relating to the geriatric population, although this is usually a difficult requirement. The Advisory Council recently decided to set up a Pharmacy and Therapeutics Committee made up of clinical and consultant pharmacists from the Council's pharmacies. Data will be sought from unbiased sources to conduct a review of the therapeutic class identified.
2. **Patient cost/compliance** - Healthcare reform has made medication cost more important to the patient, third party payor, care giver, and healthcare professionals including physicians. If a product offers a lower cost to the patient or third party without sacrificing clinical efficacy, it becomes easier for the consultant pharmacist to make a recommendation to the physician. Lower cost does not necessarily mean a lower price for the product. It could be that the cost per day is less, or it is easier for the nursing staff to administer in a time efficient manner. Although medications are administered in a controlled environment within the nursing home or at home for most patients serviced by GeriMed members, patients can still refuse medications that cause unpleasant side effects, are difficult to swallow, etc. Providing a more palatable or side effect free medication may result in cost savings to the patient

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indirectly. Cost effectiveness of patient care is also an important aspect of cost to the patient. If a product can reduce the number of days for rehabilitation, decrease the number of hospital admissions, or eliminate other more costly therapies (i.e. surgery, laboratory tests, medical devices, etc.) then it should be considered a cost effective product.

3. **Increase revenue or decreased cost for the pharmacy** - Finally, the member pharmacy must have an incentive to promote and perform with the product. Costs for consultant pharmacists to administer a therapeutic interchange or appropriate therapy program can add up. Profitability of the company becomes important to support the progressive services provided by a long term care pharmacy provider. Therefore, these incentive programs are evaluated on the merits of their profitability to the pharmacy.

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PROPOSAL TO  
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SITUATION ANALYSIS

- TOTAL DOSES OF ALBUTEROL SOLD TO MEMBERS DURING REPORTING PERIOD 4/1-6/30 95 (3 MONTHS) -2,012,230
- TOTAL UNIT DOSE - 1,249,590 OR 62%
- TOTAL MULTI DOSE- (DOSES =UNITS X 2) -762,640 OR 38%
- DEY HAD 68.9% OF UNIT DOSE SHARE
- WARRICK HAD 29% OF MULTIDOSE SHARE
- DEY HAS 43% SHARE OF ALL ALBUTEROL DOSES ( MD AND UD)

RECOMMENDATIONS

- MOVE MULTIDOSE MARKET TO UNIT DOSE STERILE BAC FREE DEY USING PROVIDED PROFIT COMPARISON CHART
- CONVERT COMPETITIVE UD TO DEY UD WITH REBATE INCENTIVE

ADVANTAGES

- NO MIXING, REDUCES LABOR, STERILITY, NO CROSS CONTAMINATION, NO FOAMING, SHORTER NEBULIZER TIME
- COST SAVINGS - NO WASTE, HIGHER AWP REIMBURSEMENT
- IMPROVE QUALITY OF CARE
- IMPROVE GERIMED ADMINISTRATION REVENUE

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THE PROGRAM

- DEY SHARE FOR ALL DOSES IS 43%

DEY WILL PAY A MARKET SHARE REBATE TO ITS COMMITTED MEMBERS BASED ON A DETAIL REPORT PROVIDED BY GERIMED IF THE FOLLOWING SALES OBJECTIVES ARE REALIZED BETWEEN JANUARY 1,1996 AND DECEMBER 31, 1996  
TOTAL ALBUTEROL DOSES PURCHASES FROM DEY BY INDIVIDUAL MEMBER

|                 |   |
|-----------------|---|
| 43-49% OF TOTAL | NO REBATE                                   |
| 50-59% OF TOTAL | .01 A VIAL                                  |
| 60-84% OF TOTAL | .02 A VIAL                                  |
| 85% AND ABOVE   | .04 PER VIAL OF DEY PRODUCT SOLD IN QUARTER |

\*MARKET SHARE FOR EACH MEMBER WILL BE CALCULATED BY GERIMED AND AUDITED BY DEY EACH QUARTER AND REBATES WILL BE PAID PER ABOVE SCHEDULE UPON MARKET PERCENTAGE FOR THAT QUARTER

EACH MEMBERS MARKET SHARE REBATE WILL BE PAID INDIVIDUALLY BY GERIMED. DEY WILL PAY GERIMED A LUMP SUM REBATE BASED ON INDIVIDUAL PERFORMANCE AND GERIMED WILL DISTRIBUTE TO ITS COMMITTED MEMBERS ACCORDING TO THEIR INDIVIDUAL PERFORMANCE

THE COMMITTED LIST IS SUBJECT TO DEY APPROVAL AND ALTHOUGH CURRENT DEY LABS CUSTOMERS ARE ELIGIBLE, THE INTENT OF THIS PROGRAM IS TO GAIN ALBUTEROL MARKET SHARE BY CONVERTING MULT-DOSE USERS AND COMPETITIVE UNIT DOSE USERS TO DEY

\*MARKET SHARE IS DEFINED BY TOTAL ALBUTEROL DOSES PURCHASED BY MEMBER DURING REPORTING PERIOD

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IMPROVED PROFIT AND BETTER PATIENT CARE BY USING UNIT DOSE  
VS  
MULTIDOSE IN LTC PHARMACY

EXAMPLE

PHARMACY CONTRACT (20 ML VIAL WARRICK-40 TREATMENTS IN VIAL)  
= \$7.40 COST PER VIAL

COST

\$ 7.40 ÷ 40 = .19 A TREATMENT  
+ .02 SALINE USED AS DILUTENT  
= .21 A TREATMENT

\$9.75 ÷ 25 = .39 COST OF UNIT DOSE PREMIXED ALBUTEROL ON  
DEY LABS CONTRACT  
= .39 A TREATMENT

REIMBURSEMENT = AWP

\$12.50 ÷ 40 = .31 A TREATMENT  
+ .02 SALINE USED AS DILUTENT  
=.33 A TREATMENT

\$30.25 ÷ 25 = 1.21 A TREATMENT

SPREAD = AWP - COST

.12 A TREATMENT WITH MULTI DOSE  
.82 A TREATMENT WITH UNIT DOSE

THE DIFFERENCE: .70 A TREATMENT MORE REIMBURSEMENT WITH  
UNIT DOSE

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ADMINISTRATION FEE IMPROVEMENT  
BY SELLING UNIT DOSE ON CONTRACT

VS

MULTIDOSE

EXAMPLE - WARRICK CONTRACT COST @ \$7.40 20 ML VIAL

\$7.40 X 5,559(3M) = \$41,136 X .02=\$822

\$10.00 X 8894 (3M) = 88,940 X .02=\$1,778

- CUSTOMER WINS: INCREASES PROFIT OVER 5 TIMES
- GERIMED WINS: INCREASE YOUR TOTAL SALES DOLLARS WHICH INCREASE YOUR ADMINISTRATION FEES
- DEY WINS: INCREASES OUR MARKET SHARE AND SALES TO GERIMED

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